

## Message Text

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ORIGIN EA-03

INFO OCT-01 ISO-00 /004 R

66608

DRAFTED BY: EA/ROC: KWEAVER:BDS

APPROVED BY: EA/ROC: BLEVIN

----- 119093

P 121837Z MAY 75

FM SECSTATE WASHDC

TO AMCONSUL AMSTERDAM PRIORITY

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FOLL REPEAT TAIPEI 2573 ACTION SECSTATE INFO BANGKOK, SEOUL,  
MANILA 10 MAY 75:

QUOTE

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E.O. 11652: N/A

TAGS: ETRD, TW, KS, RP, TH

SUBJECT: COTTON CONTRACT PROBLEM

STATE PASS USDA FOR DUDLEY WILLIAMS

1. QUOTE: MEMORANDUM OF UNDERSTANDING TO IMPLEMENT  
ASSURANCES OF THE GOVERNMENT OF THE REPUBLIC OF  
CHINA SIGNED BY MINISTER Y.S. SUN ON MARCH 20, 1975  
END QUOTE WAS INITIALED BY BENJAMIN LU, DIRECTOR,  
THIRD DEPARTMENT, BOARD OF FOREIGN TRADE AND  
KENNARD STEPHENS, USDA, ON MAY 10

2. KEY PROVISIONS CONTAINED PARA 2 WHICH SPECIFIES  
NEW SCHEDULE FOR OPENING OF LETTERS OF CREDIT, PARA 3  
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WHICH DISCUSSES DATE OF SHIPMENT, AND PARA 6

CONCERNING CARRYING CHARGES.

3. TEXT OF MEMORANDUM IS AS FOLLOWS: QUOTE

1. A LINE OF COMMODITY CREDIT CORPORATION CREDIT TOTALING \$25 MILLION FOR THE FINANCING OF COTTON PURCHASES IN TAIWAN WILL BE IMMEDIATELY IMPLEMENTED BY A SEPARATE LETTER.

2. TO MAKE POSSIBLE ORDERLY IMPORTATION OF COTTON AND IN VIEW OF THE DELAY IN FINALIZING THE ATTACHED ANNEX, LETTER OF CREDIT WILL BE OPENED ON CONTACTS WITHIN EACH OF THESE PERIODS ACCORDING TO THE FOLLOWING SCHEDULE:

PERIOD 1 - LETTER OF CREDIT WILL BE OPENED BY JUN 15, 1975

PERIOD 2 - LETTERS OF CREDIT WILL BE OPENED BY JULY 15, 1975

PERIODS 3 & 4 - LETTERS OF CREDIT WILL BE OPENED BY AUGUST 31, 1975

3. LETTERS OF CREDIT WILL PROVIDE FOR SHIPMENT WITHIN 60 DAYS AFTER ALL REQUIRED CONFIRMATIONS BY A U.S. BANK. DATE OF SHIPMENT WILL BE MUTUALLY AGREED BETWEEN BUYER AND SELLER WITHIN THE LIMITING DATES PROVIDED IN THE LETTER OF CREDIT. IT IS AGREED THAT THE BOARD OF FOREIGN TRADE WILL REQUIRE THAT EACH PURCHASER ACCEPT SHIPMENT WITHIN 30 DAYS UNLESS ADDITIONAL TIME, WITHIN THE LIMITS OF THE LETTER OF CREDIT, IS REQUIRED (BY SELLER OR PURCHASER) TO EFFECT SHIPMENT. IF NECESSARY TO PERMIT TIMELY SHIPMENT, THE TAIWAN COTTON SPINNERS ASSOCIATION WILL ARRANGE CHARTERED VESSELS FOR DELIVERY OF CONTRACTED COTTON AS PROVIDED IN THE LETTER OF CREDIT.

4. IT IS UNDERSTOOD THAT REGARDLESS OF TYPE OF COTTON, EACH PURCHASER WILL OPEN LETTERS OF CREDIT WITHIN EACH PERIOD, ON THE OLDEST CONTRACT FIRST, OR SIMULTANEOUSLY ON ALL CONTRACTS IN A GIVEN PERIOD. THE BOARD OF FOREIGN TRADE WILL SO INSTRUCT EACH PURCHASER AND THE BANK OF TAIWAN.

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5. THE BANK OF TAIWAN WILL OPEN ON SCHEDULE TWO SEPARATE IRREVOCABLE LETTERS OF CREDIT FOR EACH SHIPMENT.

A. THE FIRST LETTER OF CREDIT WILL COVER THE FIRST 40 U.S. CENTS OF THE CONTRACT PRICE PER POUND OF COTTON SOLD. THIS LETTER OF CREDIT WILL BE DRAWN IN FAVOR OF THE U.S. EXPORTER AND WILL PROVIDE FOR

PAYMENT DIRECTLY TO THE U.S. EXPORTER BY A U.S. BANK  
UPON SUBMISSION OF APPROPRIATE DOCUMENTS.

B. THE SECOND LETTER OF CREDIT WILL BE  
DRAWN IN FAVOR OF THE COMMODITY CREDIT CORPORATION,  
U.S. DEPARTMENT OF AGRICULTURE, AND WILL COVER THE  
PORTION OF THE VALUE BETWEEN 40 U.S. CENTS PER POUND  
AND THE CONTRACT PRICE, PLUS ANY ADDITIONAL FINANCING  
AS REQUIRED BY PARAGRAPHS 6B(1) AND (2) BELOW. AT  
LEAST 10 PERCENT OF THIS LETTER OF CREDIT MUST BE  
CONFIRMED BY A U.S. BANK. THIS LETTER OF CREDIT  
WILL BE ON A FINANCING BASIS OF A THREE-YEAR CREDIT  
PERIOD WITH EQUAL ANNUAL PAYMENTS OF PRINCIPAL PLUS  
ACCRUED INTEREST TO BE MADE UPON DRAFTS SUBMITTED BY  
COMMODITY CREDIT CORPORATION ON THE U.S. CONFIRMING  
BANK.

6. THE ANNEX HAS BEEN PREPARED CONSISTENTLY WITH  
PARAGRAPHS 4 AND 5 ABOVE. IT IS COMPLETE AND AGREEABLE  
TO BOTH OF US IN ALL RESPECTS EXCEPT AS FOLLOWS:

A. THE VALUE EXTENSIONS OF THE AGREED UPON  
QUANTITIES AND UNIT PRICES ARE SUBJECT TO ADJUSTMENT  
FOR ERRORS IN MATHEMATICAL COMPUTATIONS.

B. THE VALUE EXTENSIONS REFLECT ONLY THE  
BASIC UNIT PRICE IN THE CONTRACTS. IT IS UNDERSTOOD,  
HOWEVER, THAT:

(1) THE LETTERS OF CREDIT WILL TOTAL  
AN AMOUNT SUFFICIENT TO COVER ALL OTHER CHARGES, IF  
ANY, SPECIFIED IN THE CONTRACT, AND

(2) WHERE CARRYING CHARGES ARE NOT  
SPECIFIED IN THE CONTRACT; LETTERS OF CREDIT MAY  
INCLUDE SUCH CHARGES IF PREVIOUSLY AGREED TO BY  
SELLER AND PURCHASER AND SUCH AMOUNT WILL BE ELIGIBLE  
FOR CC FINANCING. IF NO SUCH AGREEMENT IS REACHED  
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BETWEEN SELLER AND PURCHASER, IT IS FURTHER UNDERSTOOD  
THAT NOTHING IN THE LETTER OF ASSURANCES, THE ANNEX,  
OR THIS MEMORANDUM SHALL BE TAKEN AS A WAIVER OF CUSTOMARY  
PRACTICES REGARDING CARRYING CHARGES.

7. EACH WEEK THE BANK OF TAIWAN WILL PROVIDE COPIES  
OF THE LETTERS OF CREDIT OPENED THAT WEEK TO THE U.S.  
AGRICULTURAL ATTACHE.

8. THE U.S. AGRICULTURAL ATTACHE WILL PROVIDE THE  
BOARD OF FOREIGN TRADE AND THE BANK OF TAIWAN WITH THE  
FINANCING APPROVAL NUMBER (KNOWN AS "G.S. M. NUMBERS")  
AS THEY ARE ISSUED BY THE COMMODITY CREDIT CORPORATION,  
WASHINGTON. END QUOTE

4. VERIFIED ANNEX INITIALLED MAY 10 BY OFFICIALS OF  
BOARD OF FOREIGN TRADE AND SPINNERS ASSOCIATION AND  
BY GERON RATHELL, USDA, AND COPIES EXCHANGED.  
LETTER SIGNED BY DENNARD STEPHENS, USDA, IMPLEMENTING  
\$25 MILLION LINE OF CREDIT WAS PROVIDED TO Y.T. WONG,  
DIRECTOR, BOARD OF FOREIGN TRADE ON MAY 10. COPY  
ANNEX AND LETTER FOLLOW VIA NEXT AIR POUCH.  
POPPLE UNQUOTE

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** COTTON, CREDIT, CONTRACTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 12 MAY 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** greeneet  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975STATE109918  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** EA/ROC: KWEAVER:BDS  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
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**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** greeneet  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 10 JUN 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <10 JUN 2003 by WorrelSW>; APPROVED <16 OCT 2003 by greeneet>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** COTTON CONTRACT PROBLEM STATE PASS USDA FOR DUDLEY WILLIAMS  
**TAGS:** ETRD, TW, KS, RP, TH  
**To:** AMSTERDAM  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006